

AMENDED IN ASSEMBLY MARCH 25, 2011

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

ASSEMBLY BILL

No. 509

Introduced by Assembly Member Skinner

February 15, 2011

~~An act relating to taxation.~~ *An act to amend Sections 19851, 19852, and 19853 of the Revenue and Taxation Code, relating to taxation.*

LEGISLATIVE COUNSEL'S DIGEST

AB 509, as amended, Skinner. ~~Personal income taxes; earned Federal earned income tax credit; notification; state departments and agencies.~~

~~The Personal Income Tax Law authorizes various credits against the taxes imposed by that law. The federal income tax laws authorize law~~ *authorizes a refundable earned income tax credit for certain low-income individuals who have earned income and who meet certain other requirements. Existing California law requires an employer, as defined, to notify all employees that they may be eligible for the federal earned income tax credit (EITC), as specified.*

This bill would also require state departments and agencies that serve those qualified for the EITC, as defined, to notify their program recipients that they may be eligible for the EITC, at least once a year during the months of January through April, or alternatively, to provide this annual notification during a regularly scheduled contact with a recipient by telephone, mail, or electronic communication, or by an in-person communication, as specified.

~~This bill would declare the Legislature's intent to enact legislation that would create a pilot project requiring local community-based~~

coalitions, utilities, and schools to provide the public with eligibility information regarding the earned income tax credit.

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~ yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 *SECTION 1. Section 19851 of the Revenue and Taxation Code*
2 *is amended to read:*

3 19851. The Legislature finds and declares as follows:

4 (a) Congress created the federal earned income tax credit (EITC)
5 in 1975 to offset the adverse effects of the Medicare and social
6 security payroll taxes on working poor families and to encourage
7 low-income workers to seek employment rather than welfare.

8 (b) Due to a relatively low percentage of federal earned income
9 tax credit eligible persons that participate in the federal Earned
10 Income Tax Credit program, hundreds of millions of federal dollars
11 go unclaimed by the working poor in California.

12 (c) In order to alleviate the tax burden on working poor persons
13 and families, to enhance the wages and income of working poor
14 persons and families, to ensure that California receives its share
15 of the federal money available in the federal Earned Income Tax
16 Credit program, and to inject additional federal money into the
17 California economy, the state shall facilitate the furnishing of
18 information to working poor persons and families regarding the
19 availability of the federal earned income tax credit so that they
20 may claim that credit on their federal income tax returns.

21 (d) It is the intent of this act to offer the most cost-effective
22 assistance to eligible taxpayers through ~~notices provided by their~~
23 ~~employers.~~ *the following:*

24 (1) *Notices provided by their employers.*

25 (2) *Notices provided by state departments and agencies that*
26 *serve those qualified for the EITC.*

27 *SEC. 2. Section 19852 of the Revenue and Taxation Code is*
28 *amended to read:*

29 19852. For purposes of this part, the following terms have the
30 following meanings:

31 (a) “Employer” means any California employer who is subject
32 to, and is required to provide, unemployment insurance to his or
33 her employees, under the Unemployment Insurance Code.

1 (b) "Employee" means any person who is covered by
2 unemployment insurance by his or her employer, pursuant to the
3 Unemployment Insurance Code.

4 (c) "EITC" means the federal earned income tax credit, as
5 defined in Section 32 of the Internal Revenue Code.

6 (d) *"State departments and agencies that serve those qualified
7 for the EITC" means those departments that operate state or
8 federally funded programs primarily engaged in providing services
9 to low-income individuals and families. Departments, agencies,
10 and programs under this subdivision may include, but are not
11 limited to, the following:*

12 (1) *The California Health and Human Services Agency.*

13 (2) *The State Department of Public Health.*

14 (3) *The State Department of Education: free or reduced-price
15 meal program and National School Lunch Program.*

16 (4) *The State Department of Social Services: the CalWORKs
17 program, CalFresh, Foster Families.*

18 (5) *The Department of Veterans Affairs.*

19 (6) *The Public Utilities Commission: California Alternate Rates
20 for Energy, the Energy Savings Assistance Program, Payment
21 Plans, and Emergency Payment Assistance Programs, including
22 Family Electric Rate Assistance, the California Weatherization
23 Assistance Program, the Low Income Home Energy Assistance
24 Program, the California LifeLine Telephone Program, and
25 Link-Up.*

26 (7) *Department of Insurance: California's Low Cost Auto
27 Insurance Program.*

28 (8) *Employment Development Department: California
29 Unemployment Insurance.*

30 (9) *State Department of Health Care Services: the Medi-Cal
31 program.*

32 (10) *Managed Risk Medical Insurance Board (MRMIB): the
33 Healthy Families Program.*

34 (11) *California Student Aid Commission.*

35 SEC. 3. *Section 19853 of the Revenue and Taxation Code is
36 amended to read:*

37 19853. (a) An employer shall notify all employees that they
38 may be eligible for the EITC within one week before or after, or
39 at the same time, that the employer provides an annual wage

1 summary, including, but not limited to, a Form W-2 or a Form
2 1099, to any employee.

3 *(b) The state departments and agencies that serve those qualified*
4 *for the EITC, as defined in subdivision (d) of Section 19852, shall*
5 *notify their program recipients that they may be eligible for the*
6 *EITC, at least once a year during the months of January through*
7 *April, or alternatively, shall provide this annual notification during*
8 *a regularly scheduled contact with a recipient by telephone, mail,*
9 *or electronic communication, or by an in-person communication.*
10 *Departments, agencies, and programs are encouraged to develop*
11 *the least costly, effective method to provide notice to recipients of*
12 *EITC eligibility, which method shall meet the requirements of*
13 *Section 19854.*

14 ~~(b)~~

15 (c) The employer shall provide the notification required by
16 subdivision (a) by handing directly to the employee or mailing to
17 the employee's last known address either of the following:

18 (1) Instructions on how to obtain any notices available from the
19 Internal Revenue Service for this purpose, including, but not
20 limited to, the IRS Notice 797 and Form W-5, or any successor
21 notice or form.

22 (2) Any notice created by the employer, as long as it contains
23 substantially the same language as the notice described in
24 paragraph (1) or in ~~subdivision (a)~~ of Section 19854.

25 ~~(c)~~

26 (d) The employer shall not satisfy the notification required by
27 subdivision (a) by posting a notice on an employee bulletin board
28 or sending it through office mail. However, these methods of
29 notification are encouraged to help inform all employees of the
30 EITC.

31 ~~(d)~~

32 (e) Every employer shall process, in accordance with federal
33 law, Form W-5 for advance payments of the EITC, upon the
34 request of the employee.

35 ~~SECTION 1. The Legislature hereby declares its intent to~~
36 ~~enact legislation that would create a pilot project requiring local~~
37 ~~community-based coalitions, utilities, and schools to provide the~~

- 1 ~~public with eligibility information regarding the earned income~~
- 2 ~~tax credit.~~

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